Kraft, Inc.
Report of the 53rd Annual Meeting of Stockholders

Springfield, Missouri
April 21, 1977

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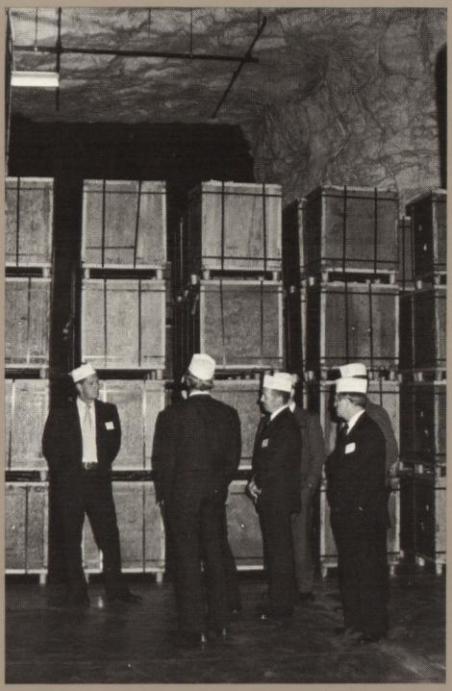

Kraft Directors and Officers attending the Annual Meeting toured the Springfield production facility and nearby limestone caves leased by the company for warehousing. The constant year-round lower temperature in the caves (58°) substantially reduces the energy requirements for maintaining the temperatures necessary for curing cheese.

The 45-acre Springfield, Missouri complex consists of a cheese processing plant and an industrial products plant. Combined, the plants employ 1,056 people who produce more than 300 million pounds of cheese a year. These include natural cheese cuts and slices, bulk cheese, process cheese, snack cheese and cream cheese under such well-known Kraft trademarks as Cracker Barrel, Cheez Whiz, Velveeta *and* Philadelphia *Brand cream cheese. The plant also produces pasta products for use in* Kraft *macaroni & cheese and spaghetti dinners. Additionally, cheese and whey powders are made here.*

The cheese processing plant began operating in September 1939 with 16 employees on the second floor of a downtown Springfield building. At that time, the one and only process cheese line produced nine million pounds of cheese loaves annually and packaged the cheese in wooden boxes that also were made at the plant. Today, 8.7 million pounds of milk produced by nearly one-quarter million cows are used in the daily *manufacture of 825,000 pounds of cheese.*

The plant was re-located to its present site in 1954. The adjacent industrial plant, which began operating in January 1958, condenses the raw whey obtained in the cheese-making process, which is used in the formulation of products such as Velveeta *and processed cheese slices.*

Report of the 1977 Meeting

The 53rd Annual Meeting of Kraft, Inc. stockholders was conducted April 21, 1977, at the company's manufacturing plant in Springfield, Missouri. The owners of 22,706,104 shares of stock, nearly 82 percent of the shares outstanding, were represented by proxy or in person at the meeting, the first ever to be held in one of the company's production facilities, and the first held in Missouri. Of Kraft's 63,091 stockholders, 45,300, or approximately 72 percent, returned their proxies to be represented at the meeting.

Election of Directors

The 14 Director candidates named in the proxy statement were elected, each receiving at least 22,609,458 votes, or 99.6 percent of shares represented at the meeting. A total of 567 stockholders, representing 91,471 shares, withheld authority to vote their proxies for the election of Directors.

Richard C. Bond, President of the Board of Trustees of John Wanamaker Philadelphia, Inc., did not stand for re-election as a Director of Kraft, in accordance with the Board's policy on tenure and retirement of Directors. He was first elected to the Board in 1957.

The Board of Directors elected to serve until the 1978 annual meeting are:

William O. Beers, Chairman of the Board and Chief Executive Officer of Kraft, who has served on the Board since 1965;

Catherine B. Cleary, Chairman of the Board, First Wisconsin Trust Company, a Director since 1972;

John D. deButts, Chairman of the Board and Chief Executive Officer of the American Telephone and Telegraph Company, elected to the Board in 1969;

E. Mandell deWindt, Chairman of the Board and Chief Executive Officer of Eaton Corporation, elected for the first time at this meeting;

Dr. Lloyd C. Elam, President of Meharry Medical College, first elected in 1973;

Robert S. Ingersoll, Deputy Chairman of the Board of Trustees, The University of

Chicago, elected by the Board of Directors in 1976;

M. Joseph Lambert, Senior Vice President and Chief Financial Officer of Kraft, a Director since 1972;

John F. McGillicuddy, President of Manufacturers Hanover Corporation and of Manufacturers Hanover Trust Company, a Director since 1970;

John S. Reed, Chairman of the Board and Chief Executive Officer of Santa Fe Industries, Inc. and of The Atchinson, Topeka and Santa Fe Railway Company, first elected in 1971;

O. Everett Swain, Executive Vice President of Kraft and Chairman of the Retail Food Group, elected a Director in 1968;

Walter N. Thayer, a Partner of Whitcom Investment Company and President of Whitney Communications Corporation, first elected to the Board in 1957;

John L. Weinberg, a Senior Partner of Goldman Sachs & Co., elected a Director in 1962;

Arthur W. Woelfle, President and Chief Operating Officer of Kraft, a Director since 1973;

George G. Zipf, Chairman of the Board and President of The Babcock & Wilcox Company, elected to the Board in 1974.

Ballot Results on Four Proposals

Stockholders approved two proposals and rejected two others, all of which were described in detail in the proxy statement.

By a vote of 21,916,615 in favor, and 786,255 in opposition, stockholders approved the Management Incentive Compensation and Stock Ownership Program. Of the shares voted on this proposal, 96.5 percent voted affirmatively.

Stockholders ratified the appointment of Arthur Andersen & Co. as independent auditors for the 1977 fiscal year by a vote of 22,647,017, or 99.8 percent of the shares voted, for the proposal, and 52,941 against it.

A proposal pertaining to pre-emptive rights of stockholders, presented by stockholders Lewis D. and John J. Gilbert, was defeated by a vote of 1,053,565 for, and 21,274,866 against approval. On this proposal, 4.7 percent of the voting shares were for approval.

Stockholders rejected a proposal, also presented by Lewis D. and John J. Gilbert, pertaining to the corporation's pension program. The results were 922,623, or 4.1 percent of the shares voted, in favor of the proposal, and 21,398,288 opposed.

Chairman's Report

This is the first time your company has conducted an annual meeting within the walls of one of our own food processing plants. The decision to meet here on this occasion pleased me very much. We are reminded by these surroundings that, first and foremost, Kraft is a food processing company. In many ways, the evolution of this facility repeats in microcosm the growth of the company.

When I first visited our Springfield plant in 1940, it was less than one year old. We were operating a single process cheese line on the second floor of a building in the downtown area and shipping the product in wooden boxes which we made right on the premises. In the years following World War II, our Springfield employees processed a large amount of cheese for shipment overseas to the starving nations of Western Europe.

Then, in 1954, we relocated the plant to the present site and, under the direction of Clyde Loftis, we began the series of expansion programs which have raised this facility to its present position among major Kraft processing and distribution centers. In 1976 alone, this distribution center shipped more than 425 million pounds of products, including process and natural cheese, cream cheese and pasta. Our milk requirements at this location are substantial: last year we kept more than 248 thousand dairy cows busy supplying the milk needed to keep this operation going on a day-to-day basis. When the new pasta facility reaches full production, it will require 540 thousand pounds of flour, or

13,500 bushels of wheat every day . . . the average crop from 450 acres of wheatland.

However, even a processing facility as large and technologically up-to-date as the one we are in today is no better than the people who run it, and I am convinced that Kraft employees, here and at our other locations, are among the finest in the world. We sometimes grow fond of talking about the importance of technology and capital in building a corporation—and they are important—but the real heart of Kraft can be found in the men and women who conscientiously perform the daily tasks of processing and distributing our products to consumers around the world. This is a subject to which I will return later in my remarks.

Before commenting on the significance of developments during 1976, I would like to announce results for the first quarter of 1977.

1977 First Quarter

It is a pleasure to report that sales, earnings and earnings per share all were the highest achieved in any first quarter in the company's history.

Kraft's worldwide sales in the first quarter of 1977 were $1.283 billion, an increase of 3.3 percent over the same period in 1976. After-tax earnings were $38.5 million, up 12.4 percent over the first quarter last year. Earnings per dollar of sales were 3.0 cents in 1977, compared to 2.8 cents in 1976.

The most significant factors in the earnings increase were improved margins and increased sales tonnage of cheese products, margarine, jellies and preserves, confections, dinners, citrus products, glass packaging and specialty chemicals.

After-tax earnings of our International Division, buoyed by gains in most countries, showed a substantial improvement over the first quarter of 1976, despite continuing losses of the Namur, Belgium, plant, which reduced first quarter earnings by about 10 cents per share. Changes in the management and organization structure of Namur have resulted in a decrease in the rate of loss since last year.

Earlier today, your Board of Directors declared a quarterly dividend of 58 cents per share, payable on June 10 to stockholders of record at the close of business on May 17. This is the 214th consecutive dividend since the company's founding in 1923. Kraft's quarterly dividend was increased 5 cents per share by the Board on Feb. 3, the sixth increase in the past ten years.

The outstanding results of the first quarter of this year, and indeed for all of 1976, are a tribute to your President, who is the Chief Operating Officer, as well as to the executives and employees in our worldwide operations who ultimately report to him. This continuing improvement in our operations also further demonstrates the soundness and effectiveness of the 1976 reorganization. Your company is now an operating company and, from the standpoint of its impact on people, the concept works.

Our financial position is strong and, under sound management, continues to improve. This can be seen in changes in our total indebtedness during recent years. Between 1974 and the end of 1976, our net borrowing as a percent of total capital employed decreased from 35.2 percent to 21.5 percent. In consideration of our future growth and our expected capital needs, we went to the bond market recently. In January, as you know, Kraft issued $100 million of 30-year sinking fund debentures at the relatively low interest rate of 7.6 percent. This issue was rated Triple-A by both major bond rating agencies. Since 1971, Kraft has maintained its position as one of just a few industrial firms to have received this highest bond rating.

Operations

As you know, we experienced a number of technical difficulties at our International Division's new multi-product processing and distribution center in Belgium. Those problems have been corrected and we expect that, as the economy of Western Europe returns to normal, Kraft will reap the long-term benefits of our substantial investment in Europe.

We successfully introduced several new products into the United Kingdom last year.

More importantly, we were able to achieve improvements in productivity through a reduction of our workforce, an extremely difficult procedure in the economic climate of that troubled nation. The English people are displaying a new realism in their attitude toward the importance of companies like Kraft in their daily lives.

Earlier this year, we announced our plan to dispose of our investment in MK Cheese Company of Japan to our co-owner, Morinaga Milk Industry. MK, which was licensed seven years ago by Kraft to manufacture certain cheese products under Kraft trademarks, will continue the production of such products. Also, Kraft will continue to provide technical and other assistance to MK.

As in the past, our approach to the markets and the nations in which we operate will be one of pragmatism. Kraft's greatest strength historically has been in those nations where we have an established business and an established market for our products. In other areas, we will participate through licensing agreements, technological assistance and management consulting. In these ways we can profitably employ the skills, expertise, and experience gained through the years without the risk of capital exposure.

The efficient use of capital continues to be a major responsibility of management, especially during a period of inflation and rising

costs. In 1976, we closed or consolidated a number of Kraft locations as part of our continuing cost control activities. During the current year, we sold our Sugar Creek butter business, and Kraft butter sales are now consolidated under the Sealtest and Breakstone labels.

A significant efficiency improvement will go into effect on June 1 of this year with the introduction of our backhaul policy. Backhaul refers to the practice of scheduling truck itineraries so that a given vehicle will carry a payload while both going to and returning from a destination. Kraft's backhaul program is designed to help meet pressures created by fuel and refrigerated truck shortages and thus to provide an opportunity for our customers to achieve a greater level of productivity.

Kraft People

Earlier, I referred to my faith in the men and women who are Kraft employees. Nineteen-seventy-six was the greatest operating year in the history of this company. Sales, tonnage of product sold, and pre-tax earnings all set new records. Those results are a dramatic demonstration of what can be achieved by dedicated individuals working together within a system of free competitive enterprise. Throughout Kraft, individual employees are expressing a sense of personal identification with the programs and goals of the company. There is a growing recognition within our

ranks of the benefits of voluntarily working together directly on a one-to-one basis.

Your management approves and applauds this attitude, for it is what we believe ourselves. Although some labeling by groups does exist, despite our continuing efforts to eliminate it, each of us is an individual, unique in many ways. As individual employees, each one of us, Processing Line Worker, Supervisor and Board Chairman alike, is individually and personally responsible for the conscientiousness with which we perform our respective jobs.

We must avoid institutionalizing the individual employee. We strive to recognize each fellow worker as a person who contributes unique strengths and qualities to that total richness of differences which makes Kraft a great company. And, as the company prospers, so does each employee. During 1976, total compensation to Kraft employees, including salaries and the cost of benefits, in-

creased by $51 million, despite a reduction in total employment of approximately 700 persons.

Another aspect of Kraft's concern for the individual is our continuing program to put the right person into the right job, whatever that job may be. Our progress in the employment and promotion of minorities and women during 1976 will be described in detail in the printed report of this meeting.*

In comparison with the previous year, Kraft employment in the United States decreased by 307, or one percent. During this period, however, the number of minority employees increased by 1.9 percent, and the number of women employed increased by 3.3 percent. Minority employees comprise 13.4 percent of the total, and six percent in the upper four job categories. Women now make up 26.5 percent of the U.S. total, and represent 12.9 percent of the upper four job categories. Also, we are making steady progress in the hiring of handicapped persons and veterans of military service. This emphasis on equal hiring and advancement will continue, hastening the time when all prejudicial distinctions, whether of race, sex, or other factors, will have disappeared.

Public Issues

I would like to comment next on several public issues which touch Kraft and to indicate how your company has responded to each. The first is the current surge of public interest in nutrition. Despite the fact that people show as much, or more, interest in the foods they eat as in any single aspect of daily living, understanding of what constitutes sound nutrition is generally low. Over the years, Kraft has been a leader among food processing companies in conducting programs of nutrition education to help the consumer develop improved dietary habits. Many of you are familiar with these programs which employ a variety of techniques and media to reach children, teenagers, and the general public. During the past six months alone, the company participated in conferences on nutrition sponsored by such organizations as the New York Academy of Sciences and Tuskegee Institute. Also, Kraft serves on the Corporation Visiting Committee of the Department of Nutrition and Food Science at Massachusetts Institute of Technology.

Kraft has been committed, since it was founded, to producing high quality food products which enhance the lives of consumers in terms of nourishment and satisfaction. This commitment includes the packaging of Kraft products in materials carefully chosen to preserve their wholesomeness. To achieve these goals, we have stayed in the forefront of all aspects of the food processing arts. Scientists in our laboratories, and others sponsored with company support, have contributed significantly to food knowledge. These efforts continue and, with new discovery, the knowledge gained is incorporated

*Pages 15 and 16.

into new and existing Kraft products wherever feasible.

This program of progress in nutrition was recently formalized by the establishment of a Kraft Nutrition Task Force. The Task Force is responsible for the continued monitoring and updating of Kraft policy with respect to the nutritional aspects of our products and for assuring compliance with that policy. Maintaining nutritional value has the very highest priority within the company. You will be informed as the work of the Task Force proceeds.

A second issue is the public outcry against the use of violence, sex and shock in the media, especially on television programming. This outcry has prompted us to remind our stockholders, employees and the general public of Kraft's long-standing policy in this area. For more than a half century, Kraft has been recognized and respected for its identification with only those programs which qualify as authentic, wholesome family entertainment. There have been occasional unintended lapses in enforcing this policy. Because we make extensive use of "spot" advertising in order to reach a wider audience, monitoring every program is not always possible, especially when last minute changes occur in the schedule. However, there is never any doubt about what the policy is. I assure you that I am personally informed of those unintentional lapses in no uncertain terms by disappointed consumers, so strong has been Kraft's good name in this respect.

Our firm policy of sponsoring only those programs which meet our standards for wholesomeness and family entertainment value is based, first, on considerations of simple good taste. In planning our advertising we are aware of our status as a guest in the consumer's home, and our responsibility to behave in a well-mannered way.

Kraft policy regarding television program sponsorship is based on enlightened self-interest, to be sure, but we also believe it is right for its own sake. You are urged to speak out yourselves on this issue as part of the general effort to upgrade the quality of television programming.

A third issue of public concern is the United States federal agricultural price support program. This is an extremely complex subject and the questions it raises are not easily answered. To be successful, the federal price support program must find and

maintain a delicate balance between opposing interests. On the one hand is a continuing need to assure adequate supplies of raw food materials. The program is designed to achieve this by providing the farmer with incentives in the form of guaranteed prices and a market for his products. In this respect, a price support program can be an effective tool in preventing food shortages.

On the other hand, if raised too high, the same supports can push the cost of processed foods to a level at which the consumer will no longer buy. This results in the accumulation of government-owned surpluses, which must be stored and maintained at taxpayers' expense. I am a firm believer in the long-term advantages of the free market system. However, there are risks in either position. Because milk price supports alone have increased by approximately 60 percent during the past three years, the issue is not only of academic interest for Kraft. We must wait to see how the current administration program develops before making judgments.

Opportunities for Growth

We are often asked about Kraft's areas of maximum potential growth during the years ahead. To help us develop informed and reliable answers to that very question, an office of Strategic Planning was established as part of our reorganization. The purpose is to assist your Chief Executive Officer in plotting Kraft's future strategy. That office has now been filled with the appointment of an outstanding professional in the field of corporate planning and development, who will report directly to me. He brings to his assignment the objectivity of a newcomer to Kraft. This objectivity is needed, we believe, in order to accurately evaluate our resources, human, physical and financial, and to determine how they might be used most effectively in the long-term interests of stockholders. No restrictions have been placed on seeking new opportunities for Kraft outside the food industry.

At this time, it is a pleasure to announce the appointment of Rudolph E. Carlson Jr. as Senior Vice President of Corporate Strategy.

For the immediate future, we see four principal areas of opportunity. First of these is the underdeveloped potential of many established branded Kraft products. Achieving better representation of many Kraft products on the grocery shelf is an area of substantial growth potential.

The business of our Dairy Group represents major growth opportunities. In our marketing areas, we have achieved leadership with our branded lines of ice cream and other frozen desserts, cottage cheese, sour cream and yogurt. The Dairy Group is entering new markets and this geographic expansion of distribution areas will continue.

A third growth area is in our International Division. Despite temporary conditions in

some nations where there is an established market for our products, we are well equipped to move ahead as those economies return to normal. As mentioned earlier, this also includes opportunities to profitably market our products, as well as to provide technological and consulting services in other nations as demand increases for nutritious food products and as economic development progresses.

A fourth area is the foodservice industry which, some say, will expand at twice the rate of the retail food industry during the next 10 years. As you have read in our annual report, we have restructured our foodservice operation and are in a strong position to grow with this expanding industry.

The Role of R & D

As Kraft prepares for the future, the company has regularly increased expenditures for research and development. Our procedure is to pinpoint those areas of food research which are potentially important to our operations and then to allocate the required funds. The actual research is conducted within our own laboratories or by outside investigations under our sponsorship. We see no slackening in the search for new and improved raw food materials, packaging and processing technology in the years ahead. During the past century, the world has been on an energy binge which we all know must end for some nations, including the United States. The population explosion demands the development of new sources of food that are abundant, palatable, and reasonably priced. This development can be accomplished best, I believe, within the discipline of the market. So, while Kraft contributes to the search for permanent solutions to long-term food needs, the company must also continue to provide new and improved products to meet changing consumer wants.

The development of cheese analogs is an illustration of how Kraft works to provide for the future while serving contemporary consumer needs at the same time. These products, in which butterfat and other traditional ingredients are replaced with alternate raw materials equivalent in nutritional value, represent Kraft's positive approach to preparing for possible long-term changes in the food supply, instead of retreating from them. But, at the same time, the company also provides new and wholesome alternate products to meet the current needs of those consumers who might otherwise use little or no cheese at all.

This concludes my report. We have completed one of the best years in company history and an outstanding first quarter in 1977. We believe your company has the strength and the determination needed for further growth in the fiscal periods ahead.

Discussion Highlights

The following remarks summarize questions asked at the meeting by stockholders or their proxies and replies from members of management, the auditors and outside consultants.

Q. Why did we have the expense of a special meeting in the fall, instead of waiting until now, just to change the name of the corporation?

A. We held the special meeting to change the name of the corporation in order to gain the maximum benefit, in the quickest way possible, from our reorganization last October.

Q. Were there any by-law changes since last year?

A. No.

Q. How many Directors' meetings were held last year?

A. We had 12 meetings.

Q. What fees are we paying the outside Directors?

A. The fees consist of an annual retainer of $10,000; a fee of $500 for every meeting of the Board, Executive Committee, Audit Committee, and Employee Benefits Committee; and $200 for other committee meetings. Chairmen of the Audit and Employee Benefits Committees also receive an additional retainer of $2,500 a year, and other members of both committees receive $1,000 annual retainers.

Q. Are the fees the same as last year?

A. Yes, they are, with the exception of an increase from $200 to $500 for meetings of the Audit and Employee Benefits Committees, and the addition of annual retainers for the chairmen and members of both committees.

Q. Do the outside Directors or members of the Audit Committee ever ask questions about the aggregate amount of expense accounts for the officers?

A. Yes, they do.

Q. What was the expense account aggregate for last year?

A. It was $374,000, covering 41 people.

Q. How many company airplanes do we have and how do we guard against their improper use?

A. We have one company plane and a well-established request procedure which requires that the purpose of the trip, the passengers, the destination, and times of arrival and departure be noted and approved.

Q. Concerning the proposal to approve the Management Incentive Compensation and Stock Ownership Program: is there a resubmission clause every five years?

A. There is no resubmission clause.

Q. Also regarding the Program, what is the potential dilution of stock ownership, and what was the fee paid to the outside consultant?

A. The potential dilution will probably be about one percent, and the fee was approximately $50,000.

Q. Would you comment on the U.S. House of Representatives' Commerce Subcommittee report last year that seemed to be critical of Kraft and other companies about the making of voluntary disclosures of improper payments overseas?

A. The comments in the report were not at all critical of Kraft, but of the Securities and Exchange Commission for some policies that it followed in handling certain disclosure matters.

Q. What was the amount of improper payments management disclosed last year?

A. We reported approximately $312,000, exclusive of $550 of possibly unlawful political contributions in the United States, and exclusive of the amounts used for employee compensation.

Q. I presume that steps have been taken to try to minimize this type of thing in the future?

A. Yes, there have been. As a matter of fact, the steps were long in place. The improper payments were a failure of people, not of the procedures.

Q. Did we make any illegal political contributions in Canada, California or the United Kingdom during the year just past?

A. No.

Q. On the question of illegal payments, I would like to ask our auditors if they would comment on the observations made by a partner from another auditing firm who said, "I think it is all so obvious that the training and experience of a CPA doesn't help him very much when doing work of an investigative nature. We have limited experience in questioning people and recording the results of that interrogation." Lawyers are trained to do this all the time. Will you tell us how you meet this challenge?

A. That quote is taken out of context. It is discussing the auditor's ability to investigate so-called sensitive or illegal payments, some of which might not even be recorded on a company's books. To the extent that the investigation involved interrogating people, I would agree. To the extent the investigation involved determining the adequacies of internal controls or the examination of documents, I would disagree. Auditors are expert at this. Kraft has excellent internal controls.

Q. How did we come out on the disposition of MK Cheese Company in Japan?

A. As a result of the disposition, we have a much more viable operation. Now, we no longer have any capital exposure in that country. The operational management of the company will be entirely in the hands of the Japanese. Kraft will continue to monitor the quality and composition of the products as we would in any licensing agreement. We will have control of all of the marketing and advertising policies of any product sold under the Kraft label, and we think this arrangement will be very good for us as well as for the Japanese.

Q. Did we lose money during the short time we owned MK?

A. Our Japanese joint venture with Morinaga Milk Industry Co., Ltd., began about seven years ago and has resulted in losses during that period. The disposition of our interest to Morinaga will result in a gain this year, which will be over and above the technical assistance and royalty fees that we will be receiving from the Japanese operation on a continuing basis.

Q. How did our total advertising expenditures compare with the prior year's volume?

A. We spent $102 million in 1976, compared to about $93 million in 1975.

Q. How is the saccharin problem likely to affect us?

A. Fortunately, the saccharin problem will not affect us because we do not use it as an ingredient in any of our products.

Q. How about the red dye situation?

A. We had discontinued the use of red dye No. 2 about one and a half years before it was officially banned. As we stated last year, even though it has not been absolutely proven that synthetic color additives are harmful, we have a continuing program of reviewing all ingredients, including "artificial" food dyes and coloring matter, so that our formulations are in keeping with the latest technological developments.

Q. Will you comment on last year's discussions about the proposed sale of Metro Containers?

A. The former owner of the Metro glass operation called to ask if we would be interested in selling it. Although we had no particular interest in doing so, we believe that it is sound business to listen to any proposition to sell an asset that may have greater value to another organization. We indicated a price that seemed acceptable; but, as negotiations continued and financial arrangements were discussed in detail, we found that it just was not possible to complete the sale, and the offer was withdrawn. Therefore, we continue to remain in the glass business—and successfully so.

Q. Where are we now on the Pillsbury situation?

A. This Federal Trade Commission investigation, now about four years old, focuses on Kraft's purchase of refrigerated dough products from Pillsbury for resale to the retail trade. Attorneys for Kraft and for Pillsbury have been working with the FTC staff toward a settlement of the matter which we believe will be mutually satisfactory to all parties. The settlement is still in the administrative process and will be considered by the Commission members, who may or may not approve of its terms. The proposed settlement, if approved, will have no material effect on the earnings of the corporation.

Q. In your Annual Report, why are products pictured that are not nationally known and distributed: for example, the *Light n' Lively* lowfat cheese product that is not yet for sale in the East?

A. We picture many of our products that are distributed only regionally, or only in some countries, to acquaint our stockholders with the breadth and depth of our product line. In this particular instance, we did want people to know that *Light n' Lively* cheese was available in test markets. As the test markets prove to be successful, the product will be introduced in other areas.

Q. Will you comment on the effect of the cold winter on the company?

A. Obviously, we did lose some sales, primarily during the height of the severe weather. Most of Kraft's facilities use oil or have dual oil-gas energy systems, designed to protect the company during an energy pinch such as occurred at the beginning of this year. In addition, our plants keep reserve supplies of oil on hand; therefore, no plants were closed because of an insufficient oil supply. The natural gas shortage directly curtailed production for a number of days at two Metro Containers plants, which must use gas in certain manufacturing steps.

Q. Is there any consideration of increasing pensions in the future to cover cost of living increases as was done three years ago?

A. Such matters are constantly under review, first of all by management, and also by the Employee Benefits Committee of the Board of Directors.

Equal Employment Opportunity Statistics for Minorities

From April 1975 to April 1976, the number of minority employees in Kraft's U.S. workforce increased 1.9 percent, while the total U.S. workforce decreased one percent. As a result, the number of minority employees represented more than 13.4 percent of our total U.S. workforce, and reached nearly six percent of the four upper-level job categories.

EEO-1 Employment Comparison (1975-1976)

Job Categories		Total U.S. Employees	Minority Group Employees	
			No.	%
All	1976	31,202	4,186	13.4
	1975	31,509	4,108	13.0
	Incr. (Decr.)	(307)	78	.4
	% Incr. (Decr.)	(1.0)	1.9	—
Officials & Managers	1976	3,390	108	3.2
	1975	3,316	91	2.7
	Incr. (Decr.)	74	17	.5
Professionals	1976	1,473	103	7.0
	1975	1,521	99	6.5
	Incr. (Decr.)	(48)	4	.5
Technicians	1976	882	87	9.9
	1975	887	82	9.2
	Incr. (Decr.)	(5)	5	.7
Sales Workers	1976	2,008	167	8.3
	1975	2,269	191	8.4
	Incr. (Decr.)	(261)	(24)	(.1)
Office & Clerical	1976	3,069	372	12.1
	1975	3,231	359	11.1
	Incr. (Decr.)	(162)	13	1.0
Craftsmen (skilled)	1976	4,219	531	12.6
	1975	4,216	525	12.5
	Incr. (Decr.)	3	6	.1
Operatives (semi-skilled)	1976	8,239	1,403	17.0
	1975	8,584	1,410	16.4
	Incr. (Decr.)	(345)	(7)	.6
Laborers	1976	7,644	1,352	17.7
	1975	7,220	1,260	17.5
	Incr. (Decr.)	424	92	.2
Service Workers	1976	278	63	22.7
	1975	265	91	34.3
	Incr. (Decr.)	13	(28)	(11.6)

Equal Employment Opportunity Statistics for Women

Between April 1975 and April 1976, the number of women employed by Kraft increased by 3.3 percent, compared with a decrease of one percent in the company's total U.S. workforce. As a result, the number of women employees reached 26.5 percent of our total U.S. workforce, and rose to 12.9 percent of the four upper-level job categories.

EEO-1 Employment Comparison (1975-1976)

Job Categories		Total U.S. Employees	Women	
			No.	%
All	1976	31,202	8,274	26.5
	1975	31,509	8,010	25.4
	Incr. (Decr.)	(307)	264	1.1
	% Incr. (Decr.)	(1.0)	3.3	—
Officials & Managers	1976	3,390	161	4.7
	1975	3,316	123	3.7
	Incr. (Decr.)	74	38	1.0
Professionals	1976	1,473	245	16.6
	1975	1,521	219	14.4
	Incr. (Decr.)	(48)	26	2.2
Technicians	1976	882	433	49.1
	1975	887	409	46.1
	Incr. (Decr.)	(5)	24	3.0
Sales Workers	1976	2,008	162	8.1
	1975	2,269	110	4.8
	Incr. (Decr.)	(261)	52	3.3
Office & Clerical	1976	3,069	2,648	86.3
	1975	3,231	2,760	85.4
	Incr. (Decr.)	(162)	(112)	.9
Craftsmen (skilled)	1976	4,219	99	2.3
	1975	4,216	90	2.1
	Incr. (Decr.)	3	9	.2
Operatives (semi-skilled)	1976	8,239	1,312	15.9
	1975	8,584	1,181	13.7
	Incr. (Decr.)	(345)	131	2.2
Laborers	1976	7,644	3,162	41.4
	1975	7,220	3,071	42.5
	Incr. (Decr.)	424	91	(1.1)
Service Workers	1976	278	52	18.7
	1975	265	47	17.7
	Incr. (Decr.)	13	5	1.0

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